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ENERGY REGULATORY COMMISSION OF THE REPUBLIC OF ARMENIA

RESOLUTION No. 3

Dated: January 28, 2002  
The city of Yerevan

**On the Improvement of Electric Energy Market Structure in the Republic of Armenia**

Being guided by Article 5, Article 17(f), Article 39 and Article 59(4), the Energy Regulatory Commission hereby **resolves**:

1. Identify the objectives of the Power Market structure improvement.
  - a) Gradual development of competitive market in the electricity generation area, to serve a basis for the increase of efficiency of the Power System operation and to enhance the following:
    - improvement of generation structure and reduction of costs;
    - formation of a market price that reflects economic costs of power generation, and improvements of consumption modes;
    - gradual reduction of the regulatory framework parallel to the development of the competitive market;
    - creation of preconditions for the prospective integration with the regional power market;
  - b) Implementation of such power market structures and operation rules, that will provide for the following.
    - transparency of the market members' operation in general, and their commercial transactions in particular;
    - promotion of self-dependence in the management of financial flows in the Power System;
    - direct financial responsibilities between electric power wholesale power vendors and buyers;
    - high level of discipline in the payments for the electric power purchased and services rendered;

- financial stability of the Power Sector Entities, which will create preconditions for their privatization and attraction of investments;
  - safety and reliability of the Power System;
  - efficient oversight of the Power Market operation and compliance with the license provisions by the ERC, balancing of interests between the market members and the consumers;
  - enhancement of the role of the power market members in the areas of regulation, coordination and monitoring of the market operations;
  - equitable access for all power market members.
- c) Gradual transition to the market with direct contracts, parallel to the formation of the legal norms and standards for adequate market structures and their operation, the development of the metering system and the formation of balancing market.
2. As an initial phase in transition to the wholesale power market, create a mandatory Wholesale Power Market operating in accordance with the following principles:
- Creation of a mandatory Wholesale Power Market by all market members (generation, transmission and distribution companies) by entering into co-operative (common) and mandatory contracts, that will establish the rights and responsibilities of the market members to operate in the Power Market;
  - The co-operative contract between the market members shall be the only contract for sale and purchase of electrical energy for domestic market needs in the Republic of Armenia;
  - The contracts for the export, import and swap (parallel activities) shall be signed by a company authorized by the RoA ERC, according to the rules set forth in the co-operative contracts and other market rules;
  - The generators, transmission companies, distribution companies, importers and the exporters sign a System Service Contract with the organizations licensed by the ERC, providing for the operation of the Wholesale Power Market;
  - The management and planning of the mandatory Wholesale Power Market shall be carried out in conformance with the Market Rules, developed by the market members ( their union-PMMU), and approved by the ERC.
  - The management of financial flows shall be carried out in conformance with algorithms and procedures ratified by the Market Rules and contracts by a special bank (Market Banker), without any external interference.

3. Approve the Timetable of the implementation of the mandatory Wholesale Power Market (Appendix).
4. Propose to the companies engaged in the generation, transmission and distribution of electrical energy to create a Power Market Members' Union within a month.
5. Propose to the RoA Ministry of Energy to support the activities aimed at the creation of the PMMU.
6. This Resolution shall become effective from the date of its publication.

Chairman of the RoA  
Energy Regulatory Commission

V. Movsesyan.

**APPENDIX**

Approved by the ERC Resolution No. 3  
Dated January 28, 2002

**TIMETABLE**  
**of the implementation of the mandatory Wholesale Power Market**

No	Description of Activities	Deadline for the draft developm ent	Deadline for the ERC Resoluti on
	<b>1</b>	<b>2</b>	<b>3</b>
1	Market structure and functions	05.02.02	15.02.02
2	Co-operation Contract between market members	01.03.02	22.03.02
3	Market Service Contracts (for dispatch, settlement, contracting, market banker)	22.03.02	12.04.02
4	Procedures for Metering and Settlement Services	26.04.02	10.05.02
5	Procedure for Financial Flow Management (Funds Administration)	26.04.02	10.05.02
6	System Operation Procedure	26.04.02	17.05.02
7	Network Connection Procedure	26.04.02	17.05.02
8	License Review for Generators, Transmission and Distribution Companies	15.03.02	29.03.02
9	Market Service Licenses	15.03.02	29.03.02
10	Resolution for Tariff Setting(billing) for Market Services	15.03.02	29.03.02
11	Execution of the Co-operation Contracts between Market Members and registration with ERC	-	07.06.02
12	Issuance of Market Service Licenses to corresponding entities	-	17.05.02
13	Market Banker (Funds Administrator) selection and execution of the service contract	-	10.05.02
14	The List and Timetable of development of other normative-legal documents essential for the further regulation of the market operations	15.13.02	-
15	Submission of proposals relating to the Power Market implementation and relevant to the jurisdiction of state government bodies (subject to their resolution)	22.02.02	-

***PROTOCOL No. 3***

***OF THE SESSION OF THE RoA ENERGY REGULATORY COMMISSION***

January 28, 2002

Presided by:

The Chairman of the RoA  
Energy Regulatory Commission

V. Movsesyan

Participated:

Deputy Chairman of the RoA  
Energy Regulatory Commission

N. Grigoryan

Members of the RoA Energy  
Regulatory Commission

Sh. Kirakosyan  
R. Kharazyan  
S. Arabajyan

Councilors of the RoA Energy  
Regulatory Commission

Y. Budagyan  
E. Ajemyan

Head of the RoA Energy Regulatory  
Commission Legal and License Monitoring  
Department

A. Vardanyan

Head of the RoA Energy Regulatory  
Commission Tariff Policy Department

R. Tsovyan

Invited:

RoA Deputy Energy Ministers

K. Sargsyan  
A. Galstyan

Chief Executive of  
“Armenergo” CJSC

L. Yeghiazaryan

General Director of Sevan-Hrazdan  
Cascade

M. Hakobyan

Director of the “Armenergo”  
CJSC Dispatch Center

S. Hakobyan

Director of the “Armenergo”  
CJSC Settlement Center

T. Madoyan

Head of the Department  
of ANPP CJSC

G. Khachatryan

Heads of Departments of the Commission, their deputies, specialists, the  
representative of “PA Consulting Group”

***In the Agenda:***

**On the Improvement of Power Market Structure in the Republic of Armenia**

By all patterns introducing the main points, Mr. R. Tsovyan mentioned that it has been drafted as a conceptual document on the improvement of the Power Market Structure, where distinctly are identified what problems should be resolved and in what main principles. Mr. Movsesyan also commented on the project, additionally and in detail explaining some principal issues. To some questions raised by K. Sargsyan, A. Galstyan, L. Egiazaryan, M. Hakobyan, S. Hakobyan exhaustively answered V. Movsesyan, N. Grigoryan, Sh. Kirakosyan, R. Kharazyan, S. Arabajyan, U. Budagyan, R. Tsovyan. L. Egiazaryan expressed his concern that the project does not address the huge receivable and payable accounts and loans, accumulated in the sector. Mr. Movsesyan clarified that the resolutions of those problems will find their reflection in the financial rehabilitation project, the development of which is underway. K. Sargsyan and S. Hakobyan proposed that the Settlement Service be separated as a separate juridical person, so that the Service be able to more independently and efficiently fulfill its duties. It was clarified that the issue would be discussed among the activities designated by the first item of the Timetable. L. Egiazaryan, S. Hakobyan and M. Hakobyan made proposals about the periods of activities fixed in the timetable, which were also clarified.

Summing up the results of the discussions:

***It was resolved:***

1. To accept the project of the resolution, making editorial changes set forth during the discussions.
2. To establish a task group for implementing the activities mentioned in the Timetable.

3. To propose to the RoA Ministry of Energy and the “Armenergo” CJSC in a two-day period submit the names of their candidates to be included in the task group.

RoA Energy Regulatory  
Commission

V. Movsesyan